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**OFFICE OF CURRENT INTELLIGENCE  
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# 1. GAZA STRIP SITUATION

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Israel's reaction to Egypt's assertion of its right to administer the Gaza strip has been confined so far to warnings that Egypt and the UN will bear the responsibility if fedayeen terrorist operations are renewed while the strip is under their control, and that the Egyptian action "violates the agreement" under which the Israelis withdrew. The Israeli security guard along the border of the strip reportedly is being further tightened, while the press and radio re-echo charges that Egyptian fedayeen terrorism has already been renewed in the form of mine laying and theft of equipment from Israeli settlements near the border.

On her return to Israel from New York on 10 March, Foreign Minister Meir repeated to Ambassador Lawson a dramatic warning she said she gave the UN secretary general that "if the Egyptians return to Gaza, it means war!" Mrs. Meir also said she told Hammarskjold she was "confident" Israel would have support in such action, since the "French have made it clear in specific terms and I believe the United States assumes that we would take action under certain conditions."

Egypt meanwhile has begun issuing administrative orders, including one for the export of Gaza's entire citrus crop to Egypt. It is not clear, however, that any genuine representative of Egyptian authority has yet entered the strip; prior to Cairo's appointment of an "administrative governor" the Egyptians had asked that six or seven Egyptian officers be received in Gaza to act as liaison officers. An Egyptian government spokesman has played down the

possibility that Egypt might send troops to Gaza, arguing that logistical difficulties would prevent such a movement.

According to present information, Egypt has not moved any significant army strength into Sinai. The UN force now in the strip is estimated to have a total strength of 2,445 men in four battalions--one Indian, one Swedish, one Colombian and one Danish-Norwegian. The whereabouts of the Yugoslav company which entered Gaza with the Danish-Norwegian battalion is not precisely known.

## 2. FRENCH AND BRITISH AGREE TO MAINTAIN COMMON POSITION ON SUEZ

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British prime minister Macmillan and French premier Mollet reached "complete agreement" on the Suez question in their 8 March talks, according to the secretary general of the French Foreign Ministry. The French official told the American chargé in Paris that both governments will insist that the six prin-

ciples agreed on in October be observed; that half the tolls be paid to Egypt and half to an international agency; and that Egyptian funds continue to be blocked until a Suez agreement along these lines is concluded.

Paris and London plan to appeal to the United Nations if Nasr refuses to accept these terms. France, however, according to the British Foreign Office account of the conversation, took a stronger stand and insisted that serious consideration also be given to boycotting the canal. It was emphasized that both countries intend to consult the United States fully on all these matters.

The French believe that if Nasr actually attempts to establish an Egyptian administration in the Gaza strip at this time, Israel "will of course react." According to the British account, Macmillan and Mollet agreed that every effort should be made to dissuade Israel from forcing passage of the canal or the Strait of Tiran with naval escorts.

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### 3. FRENCH-BRITISH SPLIT OVER BRITISH FORCES CUTS REPORTED

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France has notified Britain that it will offer a resolution rejecting the proposed British forces cut at the Western European Union (WEU) meeting later this week, according to the US representative to NATO. The resolution results from the impasse in the Mollet-Macmillan talks on 8 March in which France reportedly insisted that enough British troops be left on the Continent to maintain four "thinned-down" divisions. The British held that financial considerations made the cuts necessary.

The British representative to NATO, in conversation with SACEUR on 11 March, held out no hope of his government's accepting SACEUR's recommendation for stationing part of the British strategic reserve on the Continent. He threatened that London might ask some searching questions about its WEU partners' contributions to NATO if these countries did not show more understanding of the British position. Ambassador Perkins, however, believes the French will go through with the resolution unless the British offer some compromise in the meantime.

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#### Comment

France's opposition to the cuts is an indication of its alarm over a possible British drift away from the Continent at a time when much of French policy, including its advocacy of EURATOM, the Common Market, and Eurafrika, is based on closer cross-channel ties. French officials may also fear that a sharp and publicized cut in British troops in Germany will reawaken the French public's apprehensions over German predominance on the Continent.

Although the other members of WEU probably have doubts as to the advisability of pushing Britain to the

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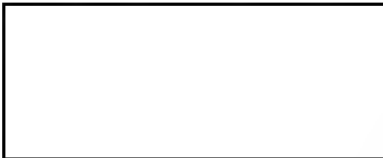
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point of disavowing its treaty commitments, most of them share French concern over the political and psychological impact of a troop reduction.



*k* 4. BRITAIN MAY RESUME ARMS SHIPMENTS TO ISRAEL

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 A British Foreign Office official on 11 March indicated that London is considering resuming arms shipments to Israel. In the Foreign Office's preliminary view, the Israeli withdrawal from Gaza and Sharm al-Shaikh renders inapplicable the UN ban on arms shipments to the area of hostilities. The official said that most of the pending orders from Israel are for auxiliary equipment and spare parts which have already been paid for.

Comment                      Now that Israel has complied with UN resolutions, London is probably seeking means to demonstrate its support of Israel publicly. Britain apparently intends to use the 1950 tripartite declaration to justify deliveries of arms to Israel to balance Soviet aid to Egypt and Syria and the equipment Britain will turn over to Jordan upon termination of the Anglo-Jordanian treaty. London earlier had refused Israeli requests for fulfillment of arms orders.

Israel has a long-standing order in Britain for Centurion tanks, and a January request included a destroyer.

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6. SOVIET-YUGOSLAV DISPUTE SHARPENS

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The increasing sharpness in public exchanges between Moscow and Belgrade demonstrates that the USSR's attitude toward any deviation in the Communist world is as inflexible today as it was during Stalin's regime.

In a strongly worded response to Yugoslav foreign minister Popovic's February speech, Pravda on 11 March denied the possibility of a position between socialism and capitalism and made clear that a "true socialist state" submits unquestioningly to the USSR. Belgrade papers, in a swift reply the next day, pointed out that the USSR was reviving the methods of Stalinism by refusing to tolerate differing views, and strongly criticized Moscow's attempts to split the Tito regime by singling out individual Yugoslav leaders for attack.

Moscow has apparently felt compelled to attack every aspect of Tito's policy, and Belgrade's refusal to let the criticism go unanswered has added to the intensity of the exchanges. The Soviet onslaught on the basic Yugoslav "antibloc" position will probably lessen considerably Belgrade's customary support of Soviet foreign policy, and shift Yugoslav criticism more from West to East.

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## 7. SHAH REPORTEDLY CALLS FOR NEW GOVERNMENT IN IRAN

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Prime Minister Ala is being replaced because of "lethargy," which is slowing development and reform programs. The Shah said he had requested Minister of Court Eqbal to form a new government and a new political party, and Interior Minister Alam to organize an opposition party. Eqbal would have full responsibility in all fields except the military, justice, which "should be above politics," and foreign policy, which was "irrevocably set" when Iran aligned itself with the free world.

The Shah said he had "learned the hard way" who could be trusted among those around him and feels strongly now that he can begin to become a statesman seeking ways to improve his country.

Eqbal has stated privately he would not accept the premiership unless given more authority than the present prime minister, who is only a figurehead. Unless the Shah has decided to withdraw from personal participation in government operations, which seems unlikely, he and Eqbal would probably soon come into conflict.

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8. SOVIET ADVISERS IN EAST GERMAN GOVERNMENT  
AGENCIES TO BE WITHDRAWN

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The Soviet embassy in East Berlin has ordered all Soviet advisers to be recalled from East German ministries by 15 March,

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No replacements for the advisers are contemplated and their German staffs are to be assigned to other jobs. control functions are to be assumed by officials of the Soviet embassy in East Berlin.

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Comment

The reported withdrawal of Soviet advisers is probably intended to enhance the appearance of East German sovereignty and give the regime greater public acceptance by eliminating this overt evidence of Soviet control over East German government operations. Soviet controls can be exercised in a less obtrusive manner by embassy officials through liaison and party channels.

The status of forces agreement, signed on 12 March, probably provides for Soviet advisers with East German military and security forces. The adviser system is standard practice in Satellite armed forces, and the intermediate stage of development of East Germany's armed forces would make the retention of advisers likely.